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# A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature recognizes that those receiving  
2   benefits from Hawaii's unemployment insurance system receive  
3   some of the richest benefits in the nation. The legislature  
4   also recognizes that while Hawaii maintains one of the lowest  
5   unemployment rates in the nation and strong job growth, Hawaii's  
6   employers pay some of the highest unemployment insurance taxes  
7   in the nation.

8           Further, the legislature recognizes that the current  
9   unemployment insurance law benefits claimants in that the  
10   maximum benefit level awarded to the unemployed are increased  
11   automatically each year. Concurrently, the maximum taxable wage  
12   base, the maximum dollar amount of wages that is subject to  
13   unemployment insurance taxes, imposed upon employers also  
14   automatically increases each year, ensuring that unemployment  
15   insurance taxes also increase each year.

16           For 2005, Hawaii's employers will be taxed at the highest  
17   maximum taxable wage base in the nation at \$32,300.

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1       The purpose of this Act is to provide long needed tax  
2 relief, though temporary, to Hawaii's employers for calendar  
3 years 2005, 2006, and 2007. This tax relief will help small  
4 business growth and provide immediate economic prosperity that  
5 will give Hawaii's employers more money to create new jobs,  
6 expand benefits or provide overdue pay increases to their  
7 employees.

8       SECTION 2. Section 383-61, Hawaii Revised Statutes, is  
9 amended to read as follows:

10       **"§383-61 Payment of contributions; wages not included.**

11       (a) Contributions with respect to wages for employment shall  
12 accrue and become payable by each employer for each calendar  
13 year in which the employer is subject to this chapter. The  
14 contributions shall become due and be paid by each employer to  
15 the director of labor and industrial relations for the fund in  
16 accordance with such rules as the department of labor and  
17 industrial relations may prescribe, and shall not be deducted,  
18 in whole or in part, from the wages of individuals in the  
19 employer's employ.

20       (b) Except as provided in subsections (c) [~~and~~], (d), and  
21 (e), the term "wages" does not include remuneration paid with  
22 respect to employment to an individual by an employer during any

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1 calendar year which exceeds the average annual wage, rounded to  
2 the nearest hundred dollars, for the four calendar quarter  
3 period ending on June 30 of the preceding year.

4 The average annual wage shall be computed as follows: on  
5 or before November 30 of each year the total remuneration paid  
6 by employers, as reported on contribution reports on or before  
7 such date, with respect to all employment during the four  
8 consecutive calendar quarters ending on June 30 of such year  
9 shall be divided by the average monthly number of individuals  
10 performing services in such employment during the same four  
11 calendar quarters as reported on such contribution reports and  
12 rounded to the nearest hundred dollars.

13 (c) For calendar years 2005, 2006, and 2007 only, the term  
14 "wages" as used in this part does not include remuneration in  
15 excess of \$7,000 paid with respect to employment to an  
16 individual by an employer. This subsection shall apply only to  
17 the contribution rate paid into the unemployment insurance trust  
18 fund."

19 [~~(c)~~] (d) For the calendar year 1991 only, the term  
20 "wages" does not include remuneration in excess of \$7,000 paid  
21 with respect to employment to an individual by an employer.

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1        [~~(d)~~] (e) For calendar year 1988 only, the term "wages" as  
2 used in this part does not include remuneration paid with  
3 respect to employment to an individual by an employer during the  
4 calendar year which exceeds:

5        (1) One hundred per cent of the average annual wage if the  
6            most recently computed ratio of the current reserve  
7            fund to the adequate reserve fund prior to that  
8            calendar year is equal to or less than .80; or

9        (2) Seventy-five per cent of the average annual wage if  
10          the most recently computed ratio of the current  
11          reserve fund to the adequate reserve fund prior to  
12          that calendar year is greater than .80 but less than  
13          1.2; or

14       (3) Fifty per cent of the average annual wage if the most  
15          recently computed ratio of the current reserve fund to  
16          the adequate reserve fund prior to that calendar year  
17          is equal to or more than 1.2;

18 provided that "wages" with respect to which contributions are  
19 paid are not less than that part of the remuneration which is  
20 subject to tax in accordance with section 3306(b) of the  
21 Internal Revenue Code of 1986, as amended.

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1        [~~(e)~~] (f) If an employer during any calendar year acquires  
2 substantially all the property used in a trade or business, or  
3 in a separate unit of a trade or business, of another employer,  
4 and after the acquisition employs an individual who prior to the  
5 acquisition was employed by the predecessor, then for the  
6 purpose of determining whether remuneration in excess of the  
7 average annual wages has been paid to the individual for  
8 employment, remuneration paid to the individual by the  
9 predecessor during the calendar year shall be considered as  
10 having been paid by the successor employer. For the purposes of  
11 this subsection, the term "employment" includes services  
12 constituting employment under any employment security law of  
13 another state or of the federal government.

14        [~~(f)~~] (g) Subsections (b) through [~~(e)~~] (f)  
15 notwithstanding, for the purposes of this part the term "wages"  
16 shall include at least that amount of remuneration paid in a  
17 calendar year to an individual by an employer or the employer's  
18 predecessor with respect to employment during any calendar year  
19 which is subject to a tax under a federal law imposing a tax  
20 against which credit may be taken for contributions required to  
21 be paid into a state unemployment fund.

13 BY REQUEST